

**STATEMENT OF  
CHAIRMAN AJIT PAI**

Re: *Connect America Fund*, WC Docket No. 10-90.

During the Obama Administration, the FCC created the “rate floor,” a regulatory catch-22 in which rural phone companies have to choose between raising rates for local telephone service or losing their universal service support. What was the result? The rate floor arbitrarily raised prices paid by rural consumers. It effectively mandated higher rates for those who can least afford them, like low-income seniors, veterans, and those living on Tribal lands. And notably, the rate floor didn’t provide any benefit to the Universal Service Fund.

When I became Chairman, I was determined to reexamine this perverse policy. I’m never a big fan of the government setting prices, but it’s especially problematic for those in Washington, DC to be setting artificially inflated prices for consumers. So in 2017, we put in place a two-year freeze of the rate floor. (If we hadn’t done that, many rural Americans’ local telephone rates would have gone up by almost 50%—from \$18 a month to \$27 for the rest of 2019.) And we asked the public whether we should eliminate the rate floor altogether.

The feedback we got overwhelmingly favors consigning the rate floor to the ash heap of history. The AARP, National Consumer Law Center, National Tribal Telecommunications Association, and many other groups agree that the rate floor unnecessarily harms rural Americans. So today, at long last, we get rid of it.

This *Order* is a big win for rural Americans, and I would like to thank all those who worked on it: Allison Baker, Jesse Jachman, Sue McNeil, Kris Monteith, and Suzanne Yelen from the Wireline Competition Bureau; Terry Cavanaugh, Jim Eisner, Craig Stroup, and Emily Talaga from the Office of Economics and Analytics; and Rick Mallen and Linda Oliver from the Office of General Counsel.